



BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-570-894]

Certain Tissue Paper Products from the People's Republic of China: Notice of Initiation of Anticircumvention Inquiry

AGENCY: Import Administration, International Trade Administration, Department of Commerce

SUMMARY: In response to a request from Seaman Paper Company of Massachusetts, Inc. (the petitioner), the Department of Commerce (the Department) is initiating an anticircumvention inquiry to determine whether certain imports of tissue paper products from India are circumventing the antidumping duty order on certain tissue paper products (tissue paper) from the People's Republic of China (PRC).<sup>1</sup>

EFFECTIVE DATE: [Insert date of publication in the *Federal Register*.]

FOR FURTHER INFORMATION CONTACT: Brian Smith or Brandon Custard, AD/CVD Operations, Office 2, Import Administration, International Trade Administration, U.S.

Department of Commerce, 1401 Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-1766 or (202) 482-1823, respectively.

SUPPLEMENTARY INFORMATION:

Background

On March 8, 2012, the petitioner submitted a request that the Department initiate and conduct an anticircumvention inquiry, pursuant to section 781(b) of the Tariff Act of 1930, as

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<sup>1</sup> See Notice of Amended Final Determination of Sales at Less than Fair Value and Antidumping Duty Order: Certain Tissue Paper Products from the People's Republic of China, 70 FR 16223 (March 30, 2005) (Tissue Paper Order).

amended (the Act), and 19 CFR 351.225(h), to determine whether imports of tissue paper from India made from jumbo rolls (and likely cut-to-length sheets) of tissue paper produced in the PRC are circumventing the antidumping duty order on tissue paper from the PRC. Specifically, the petitioner alleges that AR Printing and Packaging India Pvt. Ltd. (ARPP) is importing into India PRC-produced jumbo rolls (and likely cut-to-length sheets) of tissue paper for completion or assembly into merchandise of the same class or kind as that covered by the antidumping duty order on tissue paper from the PRC prior to exporting that merchandise to the United States; and that such activity on the part of ARPP constitutes circumvention of the PRC tissue paper order.

On April 12, 2012, the Department requested that the petitioner provide additional information and clarification pertinent to its anticircumvention inquiry request in order to determine whether it was appropriate to grant that request. See Letter to Seaman Paper Company of Massachusetts, Inc., dated April 12, 2012. The petitioner provided the requested information and clarification on April 16, 2012.

#### Scope of the Order

The tissue paper products subject to order are cut-to-length sheets of tissue paper having a basis weight not exceeding 29 grams per square meter. Tissue paper products subject to this order may or may not be bleached, dye-colored, surface-colored, glazed, surface decorated or printed, sequined, crinkled, embossed, and/or die cut. The tissue paper subject to this order is in the form of cut-to-length sheets of tissue paper with a width equal to or greater than one-half (0.5) inch. Subject tissue paper may be flat or folded, and may be packaged by banding or wrapping with paper or film, by placing in plastic or film bags, and/or by placing in boxes for distribution and use by the ultimate consumer. Packages of tissue paper subject to this order may consist solely of tissue paper of one color and/or style, or may contain multiple colors and/or styles.

Tissue paper products subject to this order do not have specific classification numbers assigned to them under the Harmonized Tariff Schedule of the United States (HTSUS) and appear to be imported under one or more of the several different “basket” categories, including but not necessarily limited to the following subheadings: HTSUS 4802.30, HTSUS 4802.54, HTSUS 4802.61, HTSUS 4802.62, HTSUS 4802.69, HTSUS 4804.39, HTSUS 4806.40, HTSUS 4808.30, HTSUS 4808.90, HTSUS 4811.90, HTSUS 4823.90, HTSUS 9505.90.40.

Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the investigation is dispositive.

Excluded from the scope of the order are the following tissue paper products: (1) tissue paper products that are coated in wax, paraffin, or polymers, of a kind used in floral and food service applications; (2) tissue paper products that have been perforated, embossed, or die-cut to the shape of a toilet seat, *i.e.*, disposable sanitary covers for toilet seats; and (3) toilet or facial tissue stock, towel or napkin stock, paper of a kind used for household or sanitary purposes, cellulose wadding, and webs of cellulose fibers (HTSUS 4803.00.20.00 and 4803.00.40.00).

#### Initiation of Anticircumvention Proceeding

##### Applicable Statute

Section 781(b) of the Act provides that the Department may find circumvention of an antidumping duty order when merchandise of the same class or kind subject to the order is completed or assembled in a foreign country other than the country to which the order applies. In conducting anticircumvention inquiries under section 781(b) of the Act, the Department relies upon the following criteria: (A) merchandise imported into the United States is of the same class or kind as any merchandise produced in a foreign country that is subject to an antidumping duty order; (B) before importation into the United States, such imported merchandise is completed or assembled in another foreign country from merchandise which is subject to the order or produced

in the foreign country that is subject to the order; (C) the process of assembly or completion in the foreign country referred to in section (B) is minor or insignificant; (D) the value of the merchandise produced in the foreign country to which the antidumping duty order applies is a significant portion of the total value of the merchandise exported to the United States; and (E) the administering authority determines that action is appropriate to prevent evasion of such order or finding. As discussed below, the petitioner presented evidence with respect to these criteria.

*A. Merchandise of the Same Class or Kind*

The petitioner claims that the tissue paper from India, which it alleges ARPP completes or assembles (i.e., by cutting to length (if necessary), folding, and packaging) in India before exporting it to the United States, is produced from jumbo rolls of PRC-origin tissue paper obtained from a tissue paper supplier located in the PRC, and is physically identical to the subject merchandise. The petitioner states that its claim is supported through an affidavit included in its March 8, 2012, anticircumvention inquiry request which shows that by testing the ARPP-packaged tissue paper the petitioner obtained from a retail store in the United States, an expert in tissue paper products was able to determine that the tissue paper was made from PRC-origin tissue paper, and that the tissue paper ARPP exports to the United States is of the same class or kind of merchandise as that covered by the antidumping duty order. See March 8, 2012, anticircumvention inquiry request at Exhibit 8, and April 16, 2012, submission at pages 3-10. Accordingly, pursuant to section 781(b)(1)(A)(i) of the Act, the petitioner claims that at least some of the tissue paper exported by ARPP to the United States is of the same class or kind as the tissue paper produced in the PRC, which is subject to the antidumping duty order.

*B. Completion of Merchandise in a Foreign Country*

The petitioner alleges that the tissue paper that is the subject of the anticircumvention inquiry request is made from jumbo rolls (and likely cut-to-length sheets) of tissue paper

produced in the PRC which are completed or assembled (i.e., cut-to-length, folded, and packaged) into finished tissue paper products in India for export to the United States. Based on information contained in documentation obtained largely from sources which the petitioner is claiming business proprietary treatment, the petitioner asserts that: 1) ARPP recently imported tissue paper jumbo rolls from a Chinese producer; 2) ARPP exported tissue paper products made from those jumbo rolls to the United States; and 3) ARPP's facility in India performs only basic converting operations (i.e., cutting, folding and packing activities), and not capital-intensive papermaking operations. See March 8, 2012, anticircumvention inquiry request at Exhibits 1, 5, 9, 10, and 13; and the April 16, 2012, submission at pages 3-5. Based on this information, the petitioner concludes that, pursuant to section 781(b)(1)(B)(ii) of the Act, ARPP's tissue paper products are completed or assembled in another foreign country (India) from merchandise (tissue paper jumbo rolls) which is produced in the foreign country (the PRC) that is subject to the antidumping duty order.

### *C. Minor or Insignificant Process*

The petitioner maintains that for the purpose of section 781(b)(1)(C) of the Act, conversion of jumbo rolls of tissue paper produced in the PRC into cut-to-length tissue paper in India is a "minor or insignificant process" as defined by the Act. According to the petitioner, the record evidence in the PRC tissue paper proceeding demonstrates that converting jumbo rolls and/or sheets of tissue paper is a minor or insignificant process. The petitioner states that cutting, folding and packaging tissue paper are operations that merely impart the final sheet size and form in which the product is delivered to the ultimate customer. The petitioner also states that the most fundamental aspects of the merchandise, such as the basis weight, texture, quality, and other special characteristics that may be required if the paper is intended for printing, are established when the paper is produced. Furthermore, the petitioner claims that the types of

minor assembly operations described above (and below) with respect to converting jumbo rolls is consistent with the information obtained in other anticircumvention inquiries involving tissue paper products from the PRC.<sup>2</sup> See March 8, 2012, anticircumvention inquiry request at pages 20-21 and 29-30.

The petitioner states that converting jumbo rolls of tissue paper involves two to three minor processes typically performed by hand in India: cutting the tissue to a specific size, folding it (by hand typically) and packaging it for export (by hand). The petitioner contends that, based on the information obtained from ARPP's website, ARPP performs only basic converting operations in India (i.e., cutting (if necessary), folding and packing activities),<sup>3</sup> which are minor or insignificant processes in the overall production of tissue paper products, not capital-intensive papermaking operations. See March 8, 2012, anticircumvention inquiry request at page 30 and Exhibit 1.

The petitioner argues that an analysis of the relevant statutory factors of section 781(b)(2) of the Act further supports its conclusion that the processing in India is "minor or insignificant." These factors include: (1) the level of investment in the foreign country; (2) the level of research and development in the foreign country; (3) the nature of the production process in the foreign country; (4) the extent of production facilities in the foreign country; and (5) whether the value of the processing performed in the foreign country represents a small proportion of the value of the merchandise imported into the United States.

The petitioner argues that the processing in India is "minor and insignificant" as the term

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<sup>2</sup> See Certain Tissue Paper Products From the People's Republic of China: Affirmative Final Determination of Circumvention of the Antidumping Duty Order, 73 FR 57591 (October 3, 2008) (Quijiang); and Certain Tissue Paper Products From the People's Republic of China: Affirmative Final Determination of Circumvention of the Antidumping Duty Order, 76 FR 47551 (August 5, 2011) (Max Fortune Vietnam).

<sup>3</sup> ARPP's website provides photos of only folding and packing operations taking place, and its list of production assets does not identify any papermaking equipment or machines. See March 8, 2012, anticircumvention inquiry request at Exhibit 1.

is defined in section 781(b)(2) of the Act when compared to the complex and capital-intensive processes involved in producing lightweight tissue paper from pulp, chemicals, and dyes. The petitioner's analysis of the statutory factors follows below.

#### (1) Level of Investment

The petitioner claims that the available information concerning ARPP's operations indicates that the level of investment is minor or insignificant. According to the petitioner, ARPP's operations (i.e., importing jumbo rolls from companies in China, cutting to length if necessary and using manual labor to hand-fold and package the tissue paper before export to the United States) requires at most paper cutting machines, tables, chairs and lights, and the investment associated with this equipment is not significant. The petitioner states that its claim is supported by the information obtained from ARPP's website (i.e., [www.arprintpack.com](http://www.arprintpack.com)) and is consistent with the Department's determinations in past anticircumvention inquiries of the PRC tissue paper order which involved respondents with similar converting operations (i.e., Quijiang and Max Fortune Vietnam). See March 8, 2012, anticircumvention inquiry request at pages 26-27, and Exhibit 1. Accordingly, the petitioner concludes that the level of investment in ARPP's converting operations is minor or insignificant.

#### (2) Level of Research and Development

The petitioner maintains that there is no evidence reasonably available which indicates research and development (R&D) is taking place in India. In fact, the petitioner claims that information on ARPP's website indicates that ARPP is not a center for R&D and that any R&D which may take place is handled by ARPP's U.S. affiliate, Gem Stone Printing Inc. The petitioner also states that tissue paper production involves mature technologies and processes, and any technical developments are refinements rather than new technologies. Converting operations also reflect mature technologies, according to the petitioner, and the Indian converting

operations involve hand-folding and packaging, which are inherently mature processes. The petitioner states that this claim is also consistent with the Department's determinations addressing the level of R&D in the Quijiang and Max Fortune Vietnam anticircumvention inquiries. See March 8, 2012, anticircumvention inquiry request at pages 27-28, and Exhibit 1.

### (3) Nature of the Production Process in India

The petitioner states that information from ARPP's website indicates that ARPP's operations in India are designed to convert (cut and/or package) the tissue paper imported from the PRC without altering the fundamental characteristics of the basis weight, quality and texture of the tissue paper that are established during the papermaking process. Therefore, the petitioner claims that the information from ARPP's website shows that its operations are limited to PRC-origin jumbo rolls and sheets being cut to size (if necessary), and folded and packed by hand prior to export. As such, they involve unskilled manual labor in contrast to skilled labor required for papermaking. While cutting jumbo rolls into sheets of tissue paper may involve some skill and machinery, according to the petitioner, the nature of this activity is not complex. Therefore, the petitioner contends that ARPP's "production process" is minor or insignificant and is consistent with the Department's determinations in Quijiang and Max Fortune Vietnam. See March 8, 2012, anticircumvention inquiry request at pages 29-30 and Exhibit 1.

### (4) Extent of Production Facilities in India

The petitioner asserts, based on information obtained from ARPP's website, that ARPP's facility provides ample storage for cut tissue paper and that it does not believe that ARPP has machinery in place to make tissue paper. According to the petitioner, the information on ARPP's website demonstrates that ARPP is not a paper mill, as it indicates that ARPP's production capabilities focus exclusively on printing and converting a variety of paper products, but not on paper-making from pulp. Therefore, the petitioner concludes that ARPP's facilities



associated with converting tissue paper products are minimal. See March 8, 2012, anticircumvention inquiry request at pages 30-31, and Exhibit 1.

(5) Value of Processing in India Compared to Value of Tissue Paper Imported Into United States

The petitioner states that the simple completion or assembly processes performed by ARPP in India (i.e., cutting (if necessary), folding (by hand) and packing (also by hand) the tissue paper from the PRC) necessarily represents a small proportion of the value of the finished tissue paper product shipped to the United States. The petitioner also states that this conclusion is supported by the Department's determination in the Quijiang anticircumvention inquiry, in which the Department determined that tissue paper converting processes are minor or insignificant.<sup>4</sup> See March 8, 2012, anticircumvention inquiry request at pages 32-33.

*D. Value of Merchandise Produced in PRC*

For the reasons stated in section C.5. above and for the purpose of section 781(b)(1)(D) of the Act, the petitioner contends that the value of the processing performed by ARPP is a minor portion of the cost of the completed merchandise. According to the petitioner, in this case, that analysis necessarily implies that the value of the PRC-origin jumbo rolls and cut-to-length sheets used by ARPP is a significant portion of the total value of the merchandise exported to the United States, because there are no other operations or components to take into account. In addition, the petitioner states that this conclusion is supported by the Department's determination

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<sup>4</sup> Specifically, in the Quijiang anticircumvention inquiry, the petitioner states that the Department determined that the conversion processes of the respondent Quijiang (i.e., allegedly the same type of conversion processes described above for ARPP) were minor or insignificant for purposes of the statute, and that inclusion of the resulting tissue paper in the order was appropriate to avoid circumvention of the order. See Certain Tissue Paper Products From the People's Republic of China: Affirmative Preliminary Determination of Circumvention of the Antidumping Duty Order and Extension of Final Determination, 73 FR 21580 (April 22, 2008) (which was upheld in Certain Tissue Paper Products From the People's Republic of China: Affirmative Final Determination of Circumvention of the Antidumping Duty Order, 73 FR 57591 (October 3, 2008)). In addition, the petitioner notes that the activities performed by Quijiang included processing such as dip-dyeing, which would add greater amounts of value than merely converting jumbo rolls and sheets of tissue paper. In contrast, the petitioner contends that ARPP is only converting the imported jumbo rolls and sheets without performing additional processing (such as dip-dyeing). See March 18, 2012, anticircumvention inquiry request at page 33.

in the Quijiang anticircumvention inquiry, in which the Department determined that the value of the PRC-origin jumbo rolls constitutes a great majority of the value of the finished merchandise.

See March 8, 2012, anticircumvention inquiry request at pages 33-34.

*E. Factors To Consider in Determining Whether Action Is Necessary*

The petitioner states that, pursuant to sections 781(b)(1)(E) and (b)(3) of the Act, additional factors must be considered in the Department's decision to issue a finding of circumvention regarding imports of tissue paper from India. These factors are discussed below.

Pattern of Trade

Section 781(b)(3)(A) of the Act directs the Department to take into account patterns of trade when making a decision in an anticircumvention case. According to the petitioner, at the time the PRC tissue paper petition was filed in February 2004, the only source of imports of tissue paper products was the PRC. Based on ARPP's website information, publicly available ship manifest (PIERS) data and Global Trade Information Service (GTIS) data, the petitioner contends that a few months after the petition was filed, ARPP was established and it began commercial shipments in 2005. The petitioner also contends that the PIERS data show a pattern of trade since the initiation of the PRC tissue paper proceeding that is characteristic of circumvention (i.e., that India rapidly emerged from being a source of no imports to being a source of substantial and growing imports of tissue paper). See March 18, 2012, anticircumvention inquiry request at pages 35-36, and Exhibit 1 and 6; and the April 16, submission at Exhibit 2.

Affiliation

Section 781(b)(3)(B) of the Act directs the Department to take into account whether the manufacturer or exporter of the merchandise is affiliated with the person who uses the merchandise to assemble or complete in the foreign country that is subsequently imported into

the United States when making a decision in an anticircumvention case. The petitioner points out that ARPP is affiliated through common ownership with Stone Sapphire, a Chinese company identified on ARPP's website as manufacturing and sourcing tissue paper products in the PRC. Although the petitioner acknowledges that the degree of Stone Sapphire's involvement in shipments of PRC-origin tissue paper to ARPP is not currently known, the petitioner claims that the history of circumvention in this proceeding provides good cause to initiate a formal inquiry and develop a formal record of information from ARPP and its affiliates. See March 8, 2012, anticircumvention request at pages 36-37, and Exhibits 1 and 2; Quijiang, 73 FR at 57593; and Max Fortune Vietnam, 76 FR at 47551, and accompanying Issues and Decision Memorandum at Comment 4.

#### Subsequent Import Volume

Section 781(b)(3)(C) of the Act directs the Department to take into account whether imports of the merchandise into the foreign country have increased after the initiation of the investigation, which resulted in the issuance of the order, when making a decision in an anticircumvention case. According to the petitioner, given that India was not a source of tissue paper products in February 2004 (i.e., the time when the less-than-fair-value (LTFV) investigation of tissue paper from the PRC was initiated), it is reasonable to infer that jumbo rolls and cut-to-length sheets of tissue paper were not being shipped to India for completion or assembly into finished tissue paper products because Chinese producers and exporters had no restrictions on their imports into the United States. In addition, the petitioner notes that ARPP did not exist in 2004, during the time the original LTFV investigation was initiated and conducted. Therefore, before that time, ARPP could not have imported tissue paper jumbo rolls and sheets from the PRC. However, since the initiation of the original investigation, imports of Chinese tissue paper into India have increased steadily and substantially. Specifically, the

petitioner states that the GTIS data show that imports of jumbo rolls and sheets of tissue paper into India from the PRC were very small through the third quarter of 2004 (i.e., the months after the petitioner filed the original petition). However, since that time, the petitioner claims that the GTIS data show that the volume of imports into India from the PRC has steadily and significantly increased. See March 8, 2012, anticircumvention inquiry request at pages 37-38.

#### Analysis

Based on our analysis of the petitioner's March 8, 2012, anticircumvention inquiry request, as supplemented on April 16, 2012, the Department determines that a formal anticircumvention inquiry is warranted. In accordance with 19 CFR 351.225(e), the Department finds that the issue of whether a product is included within the scope of an order cannot be determined based solely upon the request and the descriptions of the merchandise and the Department will notify by mail all parties on the Department's scope service list of the initiation of a scope inquiry, including an anticircumvention inquiry. In addition, in accordance with 19 CFR 351.225(f)(1), a notice of the initiation of an anticircumvention inquiry issued under 19 CFR 351.225(e) will include a description of the product that is the subject of the anticircumvention inquiry -- in this case, cut-to-length tissue paper that has the characteristics identified in the scope of the order, as provided above -- and an explanation of the reasons for the Department's decision to initiate an anticircumvention inquiry, as provided below.

With regard to whether the merchandise from India is of the same class or kind as the merchandise produced in the PRC, the petitioner has presented information indicating that the merchandise being imported from India is of the same class or kind as the tissue paper produced in the PRC, which is subject to the antidumping duty order. The merchandise from India shares physical characteristics with the merchandise covered by the antidumping duty order. See March 8, 2012, anticircumvention inquiry request at pages 8-9.

With regard to completion of merchandise in a foreign country, the petitioner has presented information that the tissue paper exported from India is tissue paper of PRC origin which is further processed in India. See March 8, 2012, anticircumvention inquiry request at Exhibits 5, 8, 9, and 10; and the April 16, 2012, submission at pages 2-10.

With regard to whether the conversion of PRC jumbo rolls and/or sheets of tissue paper into cut-to-length tissue paper in India is a “minor or insignificant process,” the petitioner addressed the relevant statutory factors used to determine whether the processing of jumbo rolls and/or sheets of tissue paper is minor or insignificant with the best information available to it at the time of its anticircumvention inquiry request. The petitioner relied on information obtained primarily from publicly available sources and affidavits for this purpose. See March 8, 2012, anticircumvention inquiry request at Exhibits 1, 8, 9, and 13.

We find that the information presented by the petitioner supports its request to initiate an anticircumvention inquiry. In particular, the petitioner provided evidence for each of the criteria enumerated in the statute, including the following: (1) the nature of ARPP’s operations (i.e., limited to converting operations) suggest little investment has been made in ARPP; (2) because ARPP’s U.S. affiliate conducts R&D, it is reasonable to infer that any R&D takes place in the United States and not in India; (3) the cutting, folding and packaging activities (i.e., the converting process) performed by ARPP do not alter the fundamental characteristics of the tissue paper and, therefore, reflect a production process which is minor or insignificant; (4) ARPP’s basic converting operations suggest a significantly lower level of investment in production assets than that required by the capital-intensive nature of the papermaking process and, thus ARPP’s facilities are minimal; and (5) ARPP’s limited operations suggest that converting tissue paper adds little value to the merchandise imported into the United States.

With respect to the value of the merchandise produced in the PRC, the petitioner relied

on the information and arguments in the “minor or insignificant process” portion of its anticircumvention request to indicate that the value of the PRC jumbo rolls and sheets of tissue paper is significant relative to the total value of finished merchandise exported to the United States. We find that this information adequately meets the requirements of this factor, as discussed above.

Finally, the petitioner argued that the Department should also consider the pattern of trade, affiliation, and subsequent import volume as factors in determining whether to initiate the anticircumvention inquiry. The import information submitted by the petitioner indicates that U.S. imports of tissue paper from India, as well as Indian imports of tissue paper from China, rose significantly after the initiation of the investigation and the establishment of ARPP. In addition, the petitioner provides information showing ARPP’s affiliation with a known producer of tissue paper in the PRC, the timing of ARPP’s establishment, and that the nature of ARPP’s operations reflect an intention to shift completion of merchandise subject to the PRC tissue paper order from the PRC to India.

Accordingly, we are initiating a formal anticircumvention inquiry concerning the antidumping duty order on certain tissue paper products from the PRC, pursuant to section 781(b) of the Act. In accordance with 19 CFR 351.225(l)(2), if the Department issues a preliminary affirmative determination, we will then instruct U.S. Customs and Border Protection to suspend liquidation and require a cash deposit of estimated duties, at the applicable rate, for each unliquidated entry of the merchandise at issue, entered or withdrawn from warehouse for consumption on or after the date of initiation of the inquiry.

The Department is focusing its analysis of the significance of the production process in India on the single company identified by the petitioner, namely ARPP, in its March 8, 2012, anticircumvention inquiry request. If the Department receives a formal request from an

interested party regarding potential circumvention by other Indian companies involved in processing PRC jumbo rolls and/or sheets for export to the United States within sufficient time, we will consider conducting the inquiries concurrently.

The Department will, following consultation with interested parties, establish a schedule for questionnaires and comments on the issues. The Department intends to issue its final determination within 300 days of the date of publication of this initiation consistent with section 781(f) of the Act.

This notice is published in accordance with section 781(b) of the Act and 19 CFR 351.225(f).

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Ronald K. Lorentzen  
Acting Assistant Secretary  
for Import Administration

May 3, 2012  
Date

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